MEDICARE FINANCING

EXPLAINING THE TRUST FUNDS

When it comes to Medicare financing, public discussion often starts and ends with the trust funds becoming "insolvent." But what is insolvency and is there more to think about when it comes to Medicare sustainability?

PARTS OF MEDICARE

Any discussion of Medicare sustainability must begin with its financing. And understanding its financing means we need to explore the program's structure. Medicare is split into three major parts.

What about Part C? See below.

PART A

- Inpatient hospital
- Hospice
- Skilled nursing facility
- Home health services

PRIMARY FINANCING

Payroll taxes

PART B

- Physician visits
- Outpatient services
- Preventive services
- Home health services

PRIMARY FINANCING

General revenues
Beneficiary premiums

PART D

- Outpatient prescription drugs

PRIMARY FINANCING

General revenues
Beneficiary premiums
State payments

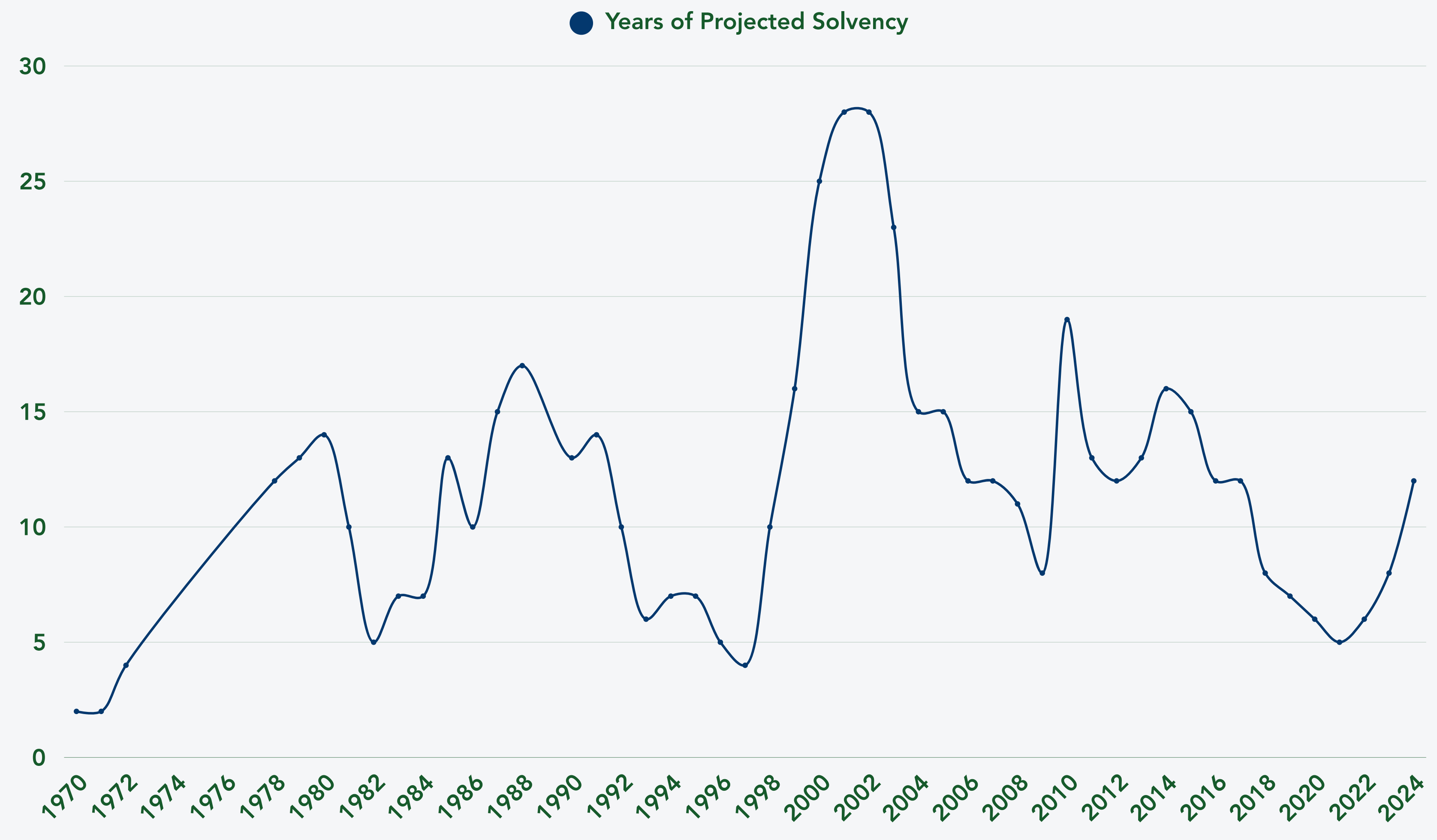
KEY TAKEAWAYS

1. The Part A fund often experiences fluctuating projections, with significant gains and losses being a common pattern.
2. Because the Part A fund's financing structure creates a depletion date, it is more attention-grabbing than the rest of the program, but that is a mistake, as it ignores the influence of Parts B and D on Medicare spending.
3. Any policy changes that only affect the Part A fund will not impact the larger Part B expense.

PART C

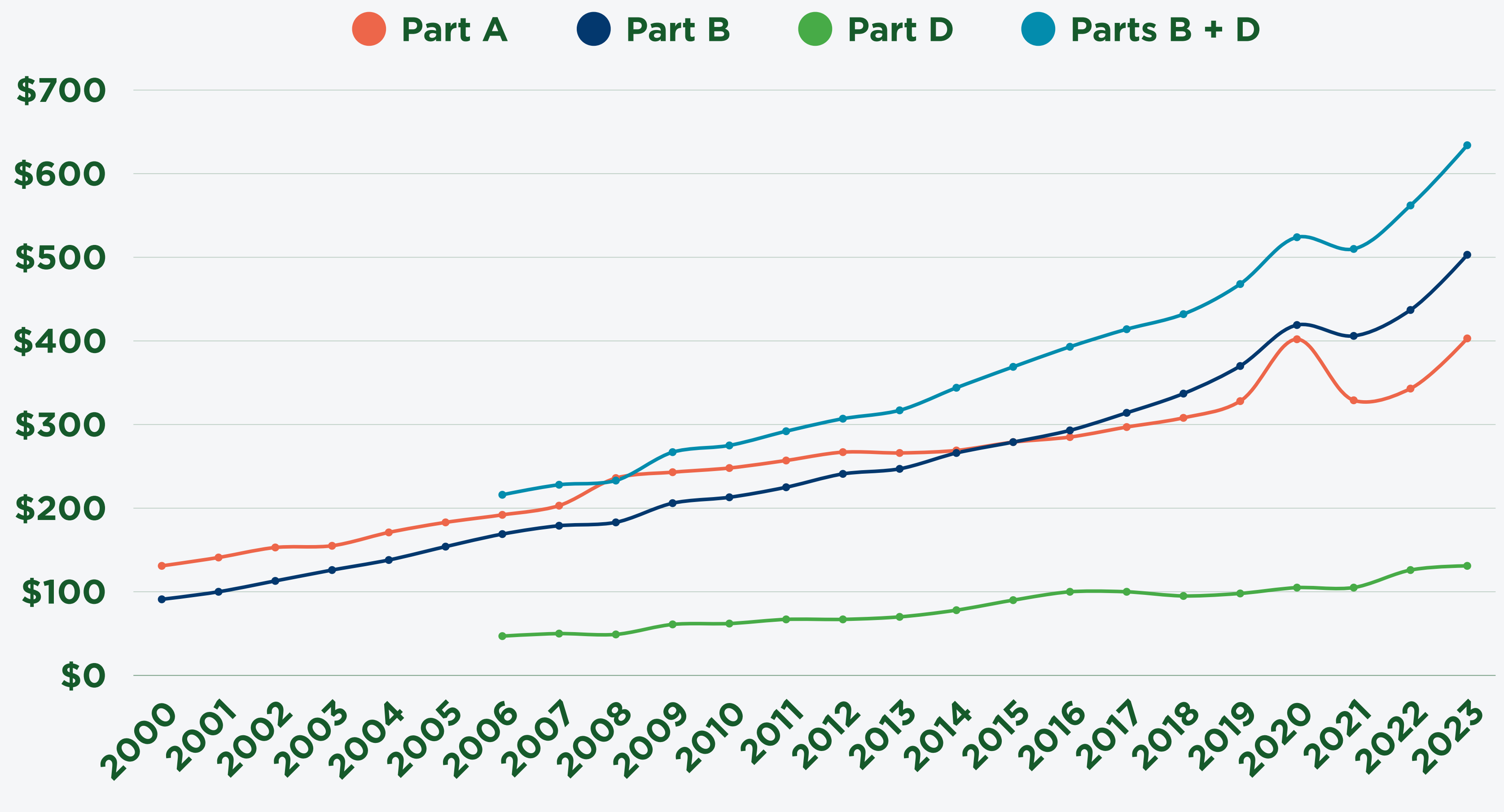
Part C, also called Medicare Advantage, is a combination of Parts A and B—and optionally D—provided by private health insurances. It is not financed separately from Parts A and B, so it is not broken out in this infographic.

PART A TRUST FUND PROJECTIONS THROUGH THE YEARS



Source: Medicare Trustees Reports; missing data are due to lack of specific projections in given years' Trustees Reports.

MEDICARE ANNUAL EXPENDITURES
(IN BILLIONS)



Source: Medicare Trustees reports 2001-2024

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For further reading and citations, read the associated brief *Medicare Financing*, available on medicarerights.org/policy.